UNITED NATIONS

Framework Convention on Climate Change

Distr.
GENERAL

FCCC/SBSTA/1996/19
5 December 1996

Original: ENGLISH

SUBSIDIARY BODY FOR SCIENTIFIC AND TECHNOLOGICAL ADVICE
Fourth session
Geneva, 16-18 December 1996
Item 6 of the provisional agenda

# ACTIVITIES IMPLEMENTED JOINTLY UNDER THE PILOT PHASE

## List of methodological issues

## Note by the secretariat

## I. INTRODUCTION

1. At its third session, the Subsidiary Body for Scientific and Technological Advice (SBSTA) considered the progress report prepared by the secretariat (FCCC/CP/1996/14 and Add.1) containing, in section V on a proposed work plan, some suggestions for methodological work, and requested the secretariat to prepare a list of methodological issues for consideration by the SBSTA at its fourth session (FCCC/SBSTA/1996/13, para. 38 (a)).

2. The secretariat has received inputs from Parties for the preparation of the list and has also solicited advice from experts. Drawing on these inputs, the secretariat has prepared an indicative list of issues whose investigation and resolution could help Parties in conducting the comprehensive review and in taking the conclusive decision envisaged in decision 5/CP.1, para. 3 (b) (FCCC/CP/1995/7/Add.1).

## II. INDICATIVE LIST OF METHODOLOGICAL ISSUES

3. The following issues are proposed for the attention of the SBSTA:

(a) *Additionality of environmental benefits related to the mitigation of climate change that are achieved by an activity implemented jointly (AIJ) vis à vis a reference case.*

Under this issue, the following aspects could, *inter alia*, be given consideration: determining the reference case, assessing the additionality of benefits; ascertaining the sustainability of benefits; choice of appropriate system boundaries to take possible "leakage" into account; need for sector or technology-specific approaches, and the static or dynamic character of the reference case;

(b) *Modalities for monitoring, reporting and verification of benefits resulting from AIJ.*

Under this issue, the following aspects could, *inter alia*, be given consideration: identification of key parameters for monitoring and reporting; the respective frequencies of monitoring, reporting and verification; the role of internal and external activities in monitoring and verification. It should be noted that work with respect to reporting has already been undertaken by the SBSTA;

(c) *Identifying capacity-building processes in order to help host countries participate in an AIJ regime.*

Under this issue, the following aspects could, *inter alia*, be given consideration: identification of generic needs for capacity-building host countries, arrangements for building the required capacities, and information requirements for integrating activities implemented jointly with national development strategies;

(d) *Enhancing the transfer and diffusion of environmentally-sound technologies to host countries of AIJ.*

Under this issue, consideration will be given to those aspects of technology transfer and diffusion which are specific to activities implemented jointly. Consideration of this issue would be related to on-going work on transfer of technology carried out by the SBI and the SBSTA;

(e) *The cost-effectiveness of a regime for activities implemented jointly.*

Under this issue, consideration could be given, *inter alia*, to the following aspects: identification of costs, including transaction costs, related to a regime for activities implemented jointly; implications for reporting; search for least-cost arrangements; identification of host country costs and comparison of global climate change mitigation costs under an AIJ regime *vis à vis* no regime;

(f) *Modalities for crediting emissions reductions resulting from AIJ in the event of a decision by the Parties to establish a regime in which credits can be earned.*

Under this issue, the following aspects could, *inter alia*, be given consideration: ex-ante, ex-post or periodical crediting, sector-specific and technology-specific arrangements for crediting, allocation of credits among Parties, impact of project failure on credits and compensation thereof;

(g) *Identifying appropriate institutional arrangements to implement AIJ while minimizing transaction costs.*

Under this issue, the following aspects could, *inter alia*, be given consideration: institutional arrangements for monitoring, reporting and verification, institutional requirements of capacity building, institutional requirements for networking and dissemination of technical information, institutional requirements for ensuring compliance or resolving disputes related to AIJ project arrangements and meeting the costs of such arrangements.

4. In preparing the above list of issues, it was found that methodologies were closely interrelated with institutional arrangements for implementing them. An important objective in this regard would be the minimization of transaction costs while ensuring a credible regime. This would be achieved through the identification of appropriate sets of methodologies and of institutional arrangements for their implementation. It would also be important to identify what rules and standards would need to be set by the Parties and what would be left for implementation by specialists. It would also be useful to envisage options for meeting unavoidable minimum costs.

## III. PROPOSED ACTION

5. The SBSTA may wish to:

(a) Consider the issues listed above;

(b) Determine whether they require methodological analysis and institutional design; and

(c) Request the secretariat to develop practical proposals or options with respect to the identified relevant issues and to report progress thereon, taking into account the relevant SBSTA deliberations.

- - - - -